

California's National Freight Policy Recommendations

The national transportation program, Moving Ahead for Progress in the 21st Century (MAP-21), encourages states to develop state freight plans that are consistent with national guidance. Such guidance was needed and now that the plan development process is underway, states and the Federal Government can plan for coordinated actions to improve the efficiency, reliability, sustainability, and safety of the entire freight system while working toward eliminating impacts to communities and the environment.

In an increasingly competitive world, it is vital that the United States have an integrated, continually improving freight transportation system that is well maintained and operated. However, without a long-term, dedicated funding mechanism that generates new revenue and does not appropriate transportation funds from other programs, the state and national freight plans cannot be implemented, regardless of how innovative they may be. The reauthorization of MAP-21 must create a freight program that includes substantial new funding that is allocated on performance-based criteria.

California is the unparalleled trade gateway to the Nation, which is evidenced by the State having the highest concentration of goods movement dependent industries and associated employment in the country (e.g., transportation and warehousing, retail trade, manufacturing, construction and wholesale trade). The State is one of the 10 largest economies in the world with a gross state product of over \$2 trillion. As a global trade leader, freight is critical to the State's economy and by extension, California's freight based economy is critical to the national economy. Federal freight policies must be responsive to California's position as an international trade leader that:

- handles more than 40 percent of all the waterborne, containerized cargo entering the nation;
- processes more than \$665 billion in two-way trade value annually;
- has the most extensive supply chain in the nation, encompassing manufacturing, retail and wholesale trade, construction, transportation, and warehousing sectors;
- generates 600,000 direct jobs at our seaports, airports and border crossings, and 1.6 million logistics jobs in the Southern California region alone; and
- supports more than 3 million logistics jobs throughout the nation from containerized trade.

California's commitment to improving its freight system is unmatched in the U.S. In 2006, voters approved a set of transportation state bond programs that included the \$2 billion Trade Corridors Improvement Fund (TCIF). The TCIF program is implementing approximately 70 high priority freight projects with a value in excess of \$6 billion in total private and public funding along key trade corridors that serve State, national, and international trade. These investments include seaport, railroad, international land border crossing, and highway truck projects. California is already heavily investing its funds to improve the State's freight transportation system and attracting substantial private and public matching funds. We strongly encourage the Federal Government to follow our example and invest more in the national freight transportation system.

Despite the critical importance of freight movement to our country's economy, there are impacts to local and regional economies, environment, and communities that must be mitigated simultaneously when making freight system improvements. Therefore, improving and sustaining the freight system is not only about system reliability, efficiency, safety, and job creation, it is also about stewardship of communities and the environment as freight is processed in and moved through those communities and the State.

Impacts from an inadequately funded and maintained freight transportation system have broad consequences from damage to vehicles using highways with poor pavement quality, travel time delays, lost productivity, higher greenhouse gas (GHG) emissions, reduced delivery time reliability, increased transportation costs, reduced competitiveness, loss of business investments, and an extensive list of additional negative impacts that compound over time. Without a program of strategic investments to adequately fix and maintain the existing freight system, expand capacity, employ new technologies, increase efficiency, and reduce impacts to communities and the environment, U.S. productivity and global competitiveness will suffer, consumer costs will increase, and trade investments will lag. A new Federal funding program must be established to address freight mobility, on all modes. The new funding program would incentivize state and local investment and leverage the widest array of public and private financing. The program must focus on the freight system as a whole, rather than viewing the Nation's transportation infrastructure as several different systems that occasionally interact.

Create a Federal Freight Funding Program

Under the next transportation reauthorization, it is critical that a dedicated, sustainable, and flexible freight funding program that includes a firewall against off-system uses be established. This should be in addition to, not in lieu of, existing transportation funding programs. Below are recommendations on funding sources and principles for the Federal freight program.

- **Potential Funding Sources**

- A dedicated funding stream, linked with a new Freight Trust Fund, paid for by all users of the freight system.
- Explore options to incentivize private investment. Some possibilities are increased use of public-private partnerships or offering special-purpose tax credit bonds.
- Support and explore all potential sources of funding, innovative financing tools (like credit programs, qualified tax credit bonds, and tax code incentives), and leveraging opportunities at all levels and sectors.

- **Principles for the Federal Freight Program**

- Utilize performance-based criteria for allocating funds. Funding should be allocated efficiently, in a way that guarantees the highest return on each dollar spent, and ensures that allocation intended to improve goods movement and reduce its impacts are actually directed towards that purpose. Funds should be dispersed through a competitive, performance-based process, rather than by formula.
- Target funding to key national priority freight corridors and the full set of multi-modal facilities associated with the corridor.
- Environmental and community impact reduction projects should be eligible for funding under the freight program.
- Priority should be given to zero-emission and near zero-emission freight projects and projects that mitigate both regional and local environmental impacts from freight.

- Priority should be given to projects which will maintain and utilize existing infrastructure to sustain and grow the throughput, velocity, efficiency, and economy of freight movement. Prioritizing in this manner will build upon critical investments already made by states, local agencies, and their private sector partners.
- Priority should be given to projects which are located in states and local jurisdictions that have adopted rules, regulations, incentives, and operating agreements which will necessarily provide for higher levels of environmental benefits, particularly with respect to air quality and GHG emissions. Prioritizing in this manner will encourage broader adoption of such measures and reward states and local jurisdictions that have taken a leadership role in addressing impacts from freight movement.
- To the maximum extent possible, expend revenues generated from any new user fees in the corridors where they are collected.
- To ensure that the Freight Program is sustainable for the long term, funding sources should ensure that alternative fuel vehicles also pay a fair amount for using the freight system.

General Funding Recommendations

- Balance the Highway Trust Fund. Whether through user fees, enhanced, and/or indexed fuel tax increase, tolls, pricing, or any combination of measures. Do not continue to deficit finance our nation's transportation infrastructure.
- The California Freight Advisory Committee echoes the National Freight Advisory Committee's unanimously approved recommendation to pass legislation that will ensure that the Harbor Maintenance Tax is utilized for its intended purpose - to keep the nation's harbors and channels dredged and maintained at their maximum authorized depth for the safe shipping of commerce.

In recent years, more fees have been collected than expended and the Harbor Maintenance Trust Fund contains a significant surplus. At the same time, there is a growing backlog of dredging needs throughout the nation's harbors, including California harbors.

- Identify options for levying user fees on those beneficiaries of trust fund investments who do not currently contribute to the Harbor Maintenance Trust Fund. These include commercial fishing vessels and private recreational craft that pay no fees, as well as domestic freight carriers.
- Evaluate the potential benefits of altering the Harbor Maintenance Trust Fund tax in such a way that a portion of the tax would be levied based on ship volume instead of only cargo value, thereby adapting to the costs associated with larger ships. Currently, only port authorities and governments cover these costs, as they alone are responsible for channel deepening, equipment replacement, and dock renovations.
- Preserve and build upon the Projects of National and Regional Significance program, which has been a significant source of funding for freight movement infrastructure improvements.
- Replace the 12% Federal Excise Tax on the purchase of new freight equipment with an equivalent increase in Federal Diesel Fuel Taxes so that the funding shift is revenue neutral. Transitioning freight equipment and truck fleets to low emission and zero-emission models is expensive on an individual unit and fleet basis. Adding the 12% Federal Excise Tax substantially

increases the purchase cost and discourages private investment in deploying new technologies. For the equipment or truck operator, it is often more economical to continue using old, higher polluting models for their full life-cycle, then to turnover the equipment for new, low emission models. The tax structure should support, not hinder the transition to a cleaner, more efficient freight industry.

- Allow revenue generating activities at publicly owned rest and truck stops on the National Highway System (NHS) with generated funding reinvested in maintenance, operations, rehabilitation, mitigation, and expansion of rest and truck stops in the state on the NHS.
- Create a funding program for shortline railroads for capital improvements such as improved grade crossings, track gauge upgrades, locomotive retrofits to meet air quality requirements, and other improvements.
- Specify that federally recognized Native American tribal governments are eligible recipients of federal freight transportation funds.

National Freight Network Recommendations

The parameters for the National and Primary Freight Network (PFN) set by MAP-21 are not adequate to identify the nation's complex, dynamic, and connected freight network. Below are recommendations for consideration during the next reauthorization.

- Do not set a mileage limit for the next iteration of the PFN. Forcing the network to adhere to an arbitrary mileage limit leads to significant network gaps and leaves out vital freight corridors and facilities. Goods move across the country on a complex, interconnected network which should be reflected in the PFN, without gaps. For the highway system, the result would be similar to the 41,518 centerline mile network identified in the draft released on November 19, 2013.
- Use a corridor focus that identifies the full set of associated multi-modal facilities. It is important, not only to California but to the entire nation, that the PFN adequately reflect the intermodal movement of freight trucked from docks to rail for long haul to the rest of the nation. For the cargo, each mode is a component of a multi-national, multi-state linked trip.
- Update the National Freight Network every five years. Given the complexity of the movement of goods and its dynamic nature, it would be prudent to re-evaluate the Primary Freight Network more frequently than every ten years.
- Create an amendment process for the PFN that enables states to make interim adjustments. With the approval of the U.S. Department of Transportation, enable states to address necessary changes between the 10-year updates. Nationally, there will likely be numerous instances where a previously designated PFN segment is no longer appropriate due to highway relocation or shifts freight travel patterns.
- Establish a methodology to establish urban freight corridors and network segments that puts states in the lead role of making such determinations.
- Either eliminate the 25% threshold for truck volumes for the designation of Critical Rural Freight Corridors or create an additional measure that uses Average Annual Daily Truck Traffic (AADTT).

California has many rural highways with high truck counts and also high automotive counts. The large number of automobiles dilute the truck percentage even though AADTT may exceed 3,000 – 5,000 but not reach the 25% threshold. With California's extensive agricultural sector and focus on row and tree crops, there are large numbers of agriculture related trucks on rural highways.

- Create a Critical Rural Freight Corridor designation mechanism that takes into account seasonal truck volumes. Many rural highways have very high truck counts and percents at certain times of the year serving the agricultural, forestry, and extractive industries. But during other times, truck counts and percents are quite low on those same highways. Averaged over a year, the highway does not meet minimum thresholds, though the thresholds may be met for many months of the year.
- Add a component to the Critical Rural Freight Corridor designation that addresses the need to provide freight access to federally recognized Native American Tribal Government lands.
- Expand the Primary Freight Network to reflect all its modes. Include major seaports, maritime navigation channels connecting to seaports included in the PFN, railroads and major intermodal yards, air cargo airports, commercial border ports of entry, and other key freight facilities.

Community and Environmental Impact Reduction Recommendations

The freight industry, while providing essential jobs for community residents and being a critical component of the larger economy, generates negative community and environmental impacts in terms of health, noise, glare, vibrations, air quality, water quality, traffic congestion, and infrastructure degradation. Freight planning and funding must address these issues as part of developing a sustainable freight transportation system on a project-by-project basis and at the programmatic level.

- In addition to the existing national air quality requirements, include GHG reductions as a goal of the national freight program and make projects that achieve a specified level of GHG reduction eligible for an enhanced federal funding share.
- Create a separate federal railroad grade separation program targeted to rail lines on a newly-designated primary freight rail network. Focus on crossings with the highest vehicle delays and crashes.
- Create a truck parking program to increase parking opportunities so that trucks do not have to park in neighborhoods, on freeway ramps, and other locations that impact communities and create various social and environmental problems.